

Summary of REIT Financial Report for the 17th Fiscal Period

January 22, 2025

REIT Issuer: Nippon Hotel & Residential Investment Corporation Stock Exchange Listing: TSE
 Securities Code: 3472 URL: <https://nhr-reit.com/>
 Representative: Takeshi Kirihara, Executive Director
 Asset Manager: APA Investment Management Co., Ltd.
 Representative: Takeshi Kirihara, Chief Executive Officer
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 Chief Planning & Coordination Officer

Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 25, 2025
 Scheduled date of start of distribution payments: February 14, 2024

Preparing supplementary explanatory materials on financial results: Yes
 Holding of brief session on financial results: None (Scheduled to distribute financial results explanation video)

[Amounts are rounded down to the nearest million yen, except for per unit figures]

1. Status of Management and Assets for the 17th Fiscal Period

17th Fiscal Period: Fiscal period ended November 2024 (from June 1, 2024 to November 30, 2024)

16th Fiscal Period: Fiscal period ended May 2024 (from December 1, 2023 to May 31, 2024)

(1) Management Status

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
17th	1,287	(1.0)	560	(1.3)	430	16.7	429	16.8
16th	1,301	8.2	568	10.0	368	7.7	367	7.6

Fiscal period	Profit per unit	Ratio of profit to unitholders' equity	Ratio of ordinary profit to total assets	Ratio of ordinary profit to operating revenue
	Yen	%	%	%
17th	1,823	2.0	1.2	33.4
16th	1,562	1.8	1.0	28.3

(2) Distribution Status

Fiscal period	Distribution per unit (excluding excess cash distribution)	Total distribution (excluding excess cash distribution)	Excess cash distribution per unit	Total excess cash distribution	Distribution per unit (including excess cash distribution)	Total distribution (including excess cash distribution)	Distribution Payout ratio	Ratio of distribution to net assets
	yen	million yen	yen	million yen	yen	million yen	%	%
17th	1,824	429	13	3	1,837	432	100.0	2.0
16th	1,562	367	13	3	1,575	370	100.0	1.8

(Note 1) The entire amount of total excess cash distribution is equivalent to the amount of allowance for temporary difference adjustments.

(Note 2) Distribution payout ratio is rounded down to the first decimal place.

(3) Financial Position

Fiscal period	Total assets	Net assets	Unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
17th	35,344	21,049	59.6	89,439
16th	35,341	20,990	59.4	89,190

(4) Cash Flow Status

Fiscal period	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
17th	931	(121)	(517)	1,037
16th	947	(102)	(588)	744

2. Management Status Forecasts for the 18th Fiscal Period and the 19th Fiscal Period

18th Fiscal Period: Fiscal period ending May 2025 (from December 1, 2024 to May 31, 2025)

19th Fiscal Period: Fiscal period ending November 2025 (from June 1, 2025 to November 30, 2025)

[% figures show the period-on-period increase (decrease)]

Fiscal period	Operating revenue		Operating profit		Ordinary profit		Profit		Distribution per unit (excluding excess cash distribution)	Excess cash distribution per unit	Distribution per unit (including excess cash distribution)
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen	yen
18th	1,682	30.7	829	48.0	598	39.1	597	39.2	1,922	10	1,932
19th	1,708	1.5	841	1.4	619	3.6	618	3.6	1,990	10	2,000

(Reference) Estimated Profit per unit for the 18th Fiscal Period: 1,921 yen; 19th Fiscal Period: 1,990 yen

* Other

(1) Changes in Accounting Policies, Changes in Accounting Estimates and Retrospective Restatement

- (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: None
- (ii) Changes in accounting policies other than (i): None
- (iii) Changes in accounting estimates: None
- (iv) Retrospective restatement: None

(2) Total Number of Investment Units Issued and Outstanding

(i) Total number of investment units issued and outstanding

(including own investment units) at end of period:

17th	235,347 units	16th	235,347 units
17th	0 units	16th	0 units

(ii) Number of own investment units at end of period:

*** This financial report is not included in the scope of the external audit by a certified public accountant or auditing firm.**

* Matters of special note

The management status outlook and other forward-looking statements contained in this document are based on information that are currently available and certain assumptions that are deemed reasonable by the Investment Corporation. Accordingly, the actual management status, etc. may differ materially due to various factors. In addition, the forecast is not a guarantee of the amount of cash distribution. For the assumptions for the management status forecasts, please refer to “ Assumptions Underlying Forecasts of the Financial Results for the Fiscal Period Ending May 2025 and November 2025 ” on page 9.

1. Management Status

(1) Overview of the Fiscal Period under Review

a. Brief History of the Investment Corporation

Nippon Hotel & Residential Investment Corporation (the “Investment Corporation”) was established on March 29, 2016 (capital: 200 million yen, issued investment units: 2,000 units) under the Act on Investment Trusts and Investment Corporations (the “Investment Trust Act”). Registration with the Kanto Local Finance Bureau was completed on May 13, 2016 (registration number 119, filed with the Director of the Kanto Local Finance Bureau).

Subsequently, the Investment Corporation issued new investment units via public offering (174,200 units) with August 30, 2016 as the payment date and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) (Securities Code: 3472) on August 31, 2016. As of the end of 14th fiscal period (ending May 31, 2023), the Investment Corporation owned 11 facilities for utilizing leisure time (Note 1). In 15th fiscal period, the Investment Corporation acquired 4 accommodation facilities (Note 2) (total acquisition price was 4,898 million yen). As a result, the total number of facilities owned by the Investment Corporation as of the end of the fiscal period under review stood at 15 (total acquisition price was 35,983 million yen). The total number of investment units issued and outstanding of the Investment Corporation as of the end of the fiscal period under review stands at 235,347 units.

(Note 1) Facilities for utilizing leisure time consist of Ryokan (referring to accommodation facilities that mainly have Japanese-style structures and facilities, the same applies hereinafter), hotels (lodging whose main structure and facilities are Western style, the same applies hereinafter), other facilities that are or can be used for accommodation purposes, hot spring facilities (hot springs (hot water, mineral water, steam, and other gases (excluding natural gas whose main component is hydrocarbons) that spring from the ground, the same applies hereinafter), resort facilities (facilities providing opportunities for sports or recreational activities, the same applies hereinafter), and amusement parks.

(Note 2) Accommodation facilities consist of rental housing, student apartments, company dormitories, serviced apartments, shared houses, elderly facilities and houses, and other facilities that are or can be used for residential purposes. The same applies hereinafter.

b. Investment Environment and Management Performance

In the fiscal period under review, the Investment Corporation was granted preferential negotiating rights for the acquisition of two APA Hotels in July 2024 from the APA Group (Note 1), its sponsor, for the purpose of expanding asset scale. In addition, with respect to three accommodation facilities, information for the sale of which was obtained through the Asset Manager’s pipeline network, the Investment Corporation obtained affirmation from the APA Group of the temporary holding of the three facilities by the APA Group and preferential negotiating rights for their acquisition (Note 2). Accordingly, the Investment Corporation secured opportunities for external growth with a total of eight properties, including facilities for utilizing leisure time and accommodation facilities.

Regarding the status of operations of the facilities for utilizing leisure time held by the Investment Corporation, total variable rents during the fiscal period under review decreased 14 million yen compared to the previous fiscal period, to 38 million yen, mainly due to such bad weather as typhoon and news reports about potential Nankai Trough Earthquake. On the other hand, regarding the status of operations in terms of capacity utilization, etc. of facilities, the occupancy rate of guest rooms (Note 3) was 83.2%, up 3.9% compared to a year ago, mainly attributable to a recovery in domestic tourism market and the reopening of some facilities following refurbishments. Moreover, ADR (Note 4) rose 2.4% YoY and RevPAR (Note 5) rose 6.4%, primarily because room rates were raised following added value renovations, etc. Accordingly, rises in variable rents in the following period and after can be anticipated. The cumulative occupancy rate of the four accommodation facilities (Note 6) held by the Investment Corporation was 97.5% as of the end of the fiscal period under review, maintaining stable occupancy rates mainly attributable to effective tenant solicitation.

The appraisal value of properties acquired totaled 38,729 million yen at the end of the fiscal period under review. In comparison to the appraisal value acquired at the end of the previous fiscal period, the capitalization rate remained unchanged. However, the appraisal value increased 50 million yen in total, mainly due to revised operating income from part of the facilities.

Looking at unrealized gain/loss (Note 7) for the entire portfolio at the end of the fiscal period under review, the unrealized gain increased to 5,879 million yen as a result of the depreciation of the 15 properties that comprise the portfolio.

Regarding ESG initiatives, Fiel Hakusankoen Niigata Hakusankoen building held by the Investment Corporation received Comprehensive Assessment System for Built Environment Efficiency (CASBEE) Real Estate Assessment Certification (Note 8) in November 2024. Going forward, the Investment Corporation will pursue measures aimed at improving environmental performance and reducing environmental burden.

In the previous fiscal period, the Investment Corporation endeavored to implement a range of measures for improving unitholder value, including the reduction of funding cost utilizing the credit capabilities of the APA Group, the sponsor. During the fiscal period under review, it will continuously work to secure

opportunities for acquiring properties toward external growth as described above. Meanwhile, recognizing that remaining problems are poor investment unit liquidity caused by small asset size and market capitalization value as well as low portfolio diversification, etc., the Investment Corporation considered that external growth linked to a public offering is an essential step in addressing these problems. Accordingly, it decided in November 2024 to issue new investment units and acquire eight domestic beneficiary interests of real estate in trust (total acquisition value: 13,108 million yen) with such acquisition involving the exercise of preferential negotiating rights described above based on new borrowings (Note 9).

At the same time, it decided to introduce a unitholder special benefit program available at APA Hotel, APA Hotel Pride, APA Hotels & Resorts and APA Hotel Stay for the purpose of responding to the support of unitholders (Note 10).

As part of the above initiatives, APA Holdings Co., Ltd., which owns investment units of the Investment Corporation, commenced additional acquisitions of investment units of the Investment Corporation in August 2024 as sponsor support leading to medium- to long-term growth of the Investment Corporation (Note 11) and completed the acquisition of 4,000 units, the maximum limit, in October 2024. Moreover, Takeshi Kiriara, Executive Director of the Investment Corporation and Chief Executive Officer of the Asset Manager acquired investment units by using a cumulative investment program for the purpose of aligning the interests of unitholders and the interests of Executive Director of the Investment Corporation and Chief Executive Officer of the Asset Manager (Note 12).

(Note 1) APA Group” consists of APA Holdings Co., Ltd. and its subsidiaries including the Asset Manager. The same applies hereinafter.

(Note 2) Please refer to the press release “Notice Concerning Obtaining of the Preferential Negotiation Right ” issued on July 22, 2024.

(Note 3) Occupancy rate of Facilities for utilizing leisure time is calculated by the following formula.

$$\text{Occupancy rate of Facilities for utilizing leisure time} = \frac{\text{number of guestrooms sold during relevant period}}{\text{number of rooms available for sale during relevant period}} \times 100 (\%)$$

Please note that the number of rooms available for sale during the applicable period does not include rooms that are unavailable due to renovation work, etc.

(Note 4) "ADR" stands for Average Daily Rate, which is calculated by dividing the total room sales for a certain period by the total number of rooms sold (total number of occupied rooms) for the same period, rounded down to the nearest specified unit.

(Note 5) Revenue per available room (RevPAR) is calculated for a given time period by dividing total room revenue by total rooms available, and is rounded down to the nearest specified unit.

(Note 6) The occupancy rate of accommodation facilities during the fiscal period is calculated using the formula below.

$$\text{Period cumulative occupancy rate} = \frac{\text{period cumulative of leased area as of the end of each month}}{\text{period cumulative of total leasable area as of the end of each month}} \times 100 (\%)$$

(Note 7) Unrealized gain/loss is calculated using the following formula. Please note that there is no guarantee that this unrealized gain/loss will be realized.

$$\text{Unrealized gain/loss} = \text{Total appraisal value of owned assets as of the end of the fiscal period under review} - \text{Total balance sheet amount (including equipment attached to buildings, structures, machinery and equipment, tools, furniture and fixtures, buildings in trust, structures in trust, tools, furniture and fixtures in trust, construction in progress as well as leasehold right)}$$

(Note 8) Please refer to the press release “Notice Concerning Acquisition of CASBEE for Real Estate Certification” issued on November 29, 2024.

(Note 9) Please refer to the press release “ Notice Concerning Acquisition of Domestic Trust Beneficiary Right in Real Estate and Leasing Thereof”, “ Notice Concerning Issuance of New Investment Units and the Public Offering of Investment Units” and “Notice Concerning Borrowing of Funds” issued on November 18, 2024 and “Notice Concerning Borrowing of Funds (Determination of Borrowing Amount, etc.)” issued on November 29, 2024.

(Note 10) Please refer to the press release “Notice Concerning Introduction of Unitholder Benefit Program” issued on November 18, 2024.

(Note 11) Please refer to the press release “Notice Concerning Additional Acquisition of Investment Units of the Investment Corporation by APA Holdings Co., Ltd.” issued on August 28, 2024, “(Disclosure Update) Notice Concerning Additional Acquisition of Investment Units of the Investment Corporation by APA Holdings Co., Ltd.” issued on October 7, 2024 and “Notice Concerning Completion of Additional Acquisition of Investment Units of the Investment Corporation by APA Holdings Co., Ltd.” issued on October 22, 2024.

(Note 12) Please refer to the press release “Notice Concerning Acquisition of the Investment Units of the Investment Corporation by Executive Director of the Investment Corporation and Chief Executive Officer of the Asset Manager” issued on August 28, 2024.

c. Overview of Capital Procurement

In the fiscal period under review, the Investment Corporation made scheduled repayments of 73 million yen each on July 31, 2024 and October 31, 2024, using cash on hand. As a result, the total amount of interest-bearing debt and the ratio of such debt to total assets (LTV) came to 12,589 million yen and 35.6%, respectively, at the end of the fiscal period under review.

d. Overview of Financial Performance and Distributions

As a result of the operations described above, business performance in the fiscal period under review generated operating revenue of 1,287 million yen, operating profit of 560 million yen, ordinary profit of 430 million yen and profit of 429 million yen.

Concerning cash distribution for the fiscal period under review, pursuant to the cash distribution policies provided in the Investment Corporation's articles of incorporation, the amount of distribution was to be in excess of an amount equivalent to 90% of the Investment Corporation's earnings available for distribution as defined in Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended; the "Special Measures Concerning Taxation Act"). Accordingly, the Investment Corporation decided to distribute 1,824 yen per unit (excluding excess cash distribution).

Furthermore, in accordance with the policy for "distribution of cash in excess of profit" as stated in the Investment Corporation's articles of incorporation, the Investment Corporation makes a distribution for the 3,059,511 yen in allowance for temporary difference adjustments (as defined in Article 2, Paragraph 2, item 30 of the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 47 of 2006, as amended; the "Investment Corporations Accountings Ordinance") for the purpose of reflecting the effect on distributions of the difference between accounting and tax treatment of earnings in association with the recording of interest expenses of asset retirement obligation and recording of depreciation of building book value corresponding to asset retirement obligation and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This results in excess distribution per unit of 13 yen.

As a result, distribution per unit for the fiscal period under review was determined as 1,837 yen (of which, excess distribution per unit was 13 yen).

(2) Outlook for the Next Fiscal Period

a. External Growth Strategy

(a) Priority investment assets

The basic business strategy of the Investment Corporation is to secure stable earnings over the medium- to long-term and achieve steady growth of assets under management by focusing on facilities for utilizing leisure time and accommodation facilities, whose return-to-risk properties are different, as priority investment assets. By setting their investment ratio targets at 40-60% for facilities for utilizing leisure time and 40-60% for accommodation facilities (acquisition value base), increasing the ratio of accommodation facilities and acquiring business and city hotels, among accommodation facilities, that are considered to generate more stable revenues compared to the facilities related to Oedo Onsen Monogatari held by the Investment Corporation, the Investment Corporation aims for progress in portfolio diversification and risk mitigation.

(b) Utilization of Network Unique to the Asset Manager

Using the Asset Manager's own network, the Investment Corporation will implement selective investment by emphasizing geographical characteristics, trends in social situations, changes in demand, convenience, etc. and by taking note of tenants' reliability, management capabilities, track record, etc. Regarding leisure facilities, it will make investment decisions in accordance with portfolio building policies, by focusing on securing investment yield that is indispensable for unitholder value enhancement. In this regard, it will comprehensively evaluate appropriateness of tenants' rent burden rates over the medium to long term, actual results and future prospects of capacity utilization and other management indicators, primarily in major centers of tourism around the nation and highly recognized business areas, as well as stability of major customer segments of facilities, competitive climate, etc. Regarding accommodation facilities, it will make investment decisions in accordance with portfolio building policies, by focusing on securing investment yield that is indispensable for unitholder value enhancement. In this regard, it has determined three major metropolitan areas of Japan, namely Tokyo metropolitan area, the Kansai area and the Chukyo area, and government ordinance-designated cities, etc. as its investment areas and will comprehensively evaluate special characteristics of properties (location, convenience, conditions of peripheral areas, etc.), tenants' trustworthiness, management capacities, actual results, etc.

(c) Utilization of Sponsor Support by Apa Group

Based on the sponsor support agreement with the sponsor as of December 19, 2023, the Investment Corporation was granted preferential negotiating rights for the acquisition of hotels held or developed by the APA Group that match the investment criteria of the Investment Corporation and preferential rights to utilize third parties' information obtained by the APA Group about the sales of properties. Moreover, the Investment Corporation can request the APA Group to acquire and temporarily hold properties of a third party that satisfy the investment criteria of the Investment Corporation. The Investment Corporation will make maximum use of such sponsor support in order to flexibly and continuously promote external growth by taking advantage of investment opportunities.

b. Internal Growth Strategy

(a) Facilities for utilizing leisure time

Mainly regarding leisure facilities, the Investment Corporation will have the Asset Manager monitor tenants' management performance that has significant impact on rent revenues. Moreover, in long-term lease agreements with tenants (Note 1), the Investment Corporation will adopt rents that secure certain fixed rents regardless of the status of tenants' facility management, in principle.

Furthermore, in lease agreements, etc. with tenants, the Investment Corporation aims to ensure stable profits from assets under management and maintain and improve asset value, by requiring tenants to report management status for each facility and having the Asset Manager monitor tenants' management performance in reference to revenues of each facility, GOP (Note 2) and other management indicators.

(b) Accommodation facilities

If the Investment Corporation signs a fixed-rent, pass-through master lease agreement regarding the accommodation facilities that it owns, it aims to maintain the building in good condition for the continuation of the agreement. Regarding pass-through-type facilities, the Investment Corporation will seek to maximize rent revenues by effectively attracting tenants and implementing initiatives such as raising rents at the time of concluding new agreements and renewing existing agreements and reducing management and operation costs.

(c) Repair and capital expenditures

For the purpose of maintaining and improving profits from assets under management over the medium to long term, the Investment Corporation will discuss with property management companies plans for repair and capital expenditures for individual properties that take into consideration the status and characteristics of assets under management, tenants' needs, etc. These plans will be implemented by taking into account depreciation costs for the entire portfolio. Moreover, existing assets with potential for improvement in asset value are subject to CAPEX (Note 3), including refurbishing, that will contribute to raising asset value for the purpose of increasing variable rents through tenants' profitability enhancement.

(Note 1) A "long-term lease contract" is a lease contract with a contract period of 10 years or more, and which prohibits mid-term termination for 5 years or more. The same applies hereinafter.

(Note 2) "GOP" refers to gross operating profit, which is the amount remaining after deducting expenses arising directly from managing each facility, such as labor expenses and general and administrative expenses, from each facility's sales. The same applies hereinafter.

(Note 3) CAPEX (Capital Expenditure) does not refer to repair expenses for maintenance of real estate but refers to expenditure for enhancing value and extending lifetime of real estate and its facilities.

c. Financial Strategy

The Investment Corporation will implement a flexible financial strategy while placing emphasis on maintaining its conservative financial position.

As to debt financing, the Investment Corporation strives to realize stable financing associated with the expansion of asset scale while maintaining its favorable relationship with existing lenders.

Moreover, based on the sponsor support agreement between the Investment Corporation and the APA Group, the Investment Corporation receives from the APA Group support necessary for increasing the number of correspondent financial institutions and improving financing conditions such as guarantees of borrowings of the Investment Corporation. Going forward, the Investment Corporation will seek the optimization of funding conditions at the time of new borrowing and refinancing by maximizing full utilization of sponsor support.

With regard to equity financing, the Investment Corporation will consider implementing it flexibly, taking into account the enhancement of the value of investment units in the medium to long term.

(3) Significant Subsequent Events

a. Issuance of New Investment Units

In accordance with the resolutions adopted at meetings of the Board of Directors held on November 18 and 25, 2024, payment was completed with respect to the issuance of new investment units by public offering on December 2, 2024 and by private placement on December 30, 2024, respectively. As a result, unitholders' capital stands at 25,363 million yen and the total number of investment units issued and outstanding at 311,023 units as of December 30, 2024.

(a) Issuance of new investment units via primary offering (public offering)

Number of new investment units offered	: 72,152 units
Issue price	: 64,430 yen
Total issue price	: 4,648,753,360 yen
Issue amount	: 62,249 yen
Total issue amount	: 4,491,389,848 yen
Payment deadline	: December 12, 2024
Initial date of reckoning dividend	: December 1, 2024

(b) Issuance of new investment units via third-party allotment

Number of new investment units offered	: 3,524 units
Issue price	: 62,249 yen
Total issue price	: 219,365,476 yen
Allottee	: SMBC Nikko Securities Inc.
Payment deadline	: December 30, 2024
Initial date of reckoning dividend	: December 1, 2024

b. Borrowing of Funds

The Investment Corporation made borrowings as follows on December 3, 2024 to partially fund acquisition of the 8 properties acquired on December 3, 2024 (please refer to "c. Acquisition of Assets") and their related expenses.

Short-term loan (Note 1)

Lender	: Sumitomo Mitsui Banking Corporation
Loan amount	: 100 million yen
Interest rate (Note 3)	: Base interest rate (JBA JPY TIBOR) (Note 4) (Note 5) plus 0.60%
Borrowing method	: Borrowing based on the individual loan agreement dated November 29, 2024 with the lender above
Drawdown date	: December 3, 2024
Interest payment date (Note 6)	: The first interest payment date shall be the last day of December 2024, and subsequent interest payment dates shall be the last day of every month thereafter and the principal repayment date.
Principal repayment date (Note 6)	: December 3, 2025
Principal repayment method (Note 6)	: The remaining principal shall be repaid on the principal repayment date.
Security	: Unsecured and Guaranteed (Note 7)

Long-term loan (Note 1)

Lender	: Syndicate with Sumitomo Mitsui Banking Corporation as the arranger (Note 2)
Loan amount	: 8,748 million yen
Interest rate (Note 3)	: Base interest rate (JBA JPY TIBOR) (Note 4) (Note 5) plus 0.80%
Borrowing method	: Borrowing based on the individual loan agreement dated November 29, 2024 with the lender above
Drawdown date	: December 3, 2024
Interest payment date (Note 6)	: The first interest payment date shall be the last day of December 2024, and subsequent interest payment dates shall be the last day of every month thereafter and the principal repayment date.
Principal repayment date (Note 6)	: December 3, 2027

Principal repayment method : The remaining principal shall be repaid on the principal repayment date.
(Note 6)
Security : Unsecured and Guaranteed (Note 7)

- (Note 1) “Short-term loan” refers to a loan where the principal is due within one year, and “long-term loan” refers to a loan where the principal is due within a period of more than one year. The same applies hereinafter.
- (Note 2) The syndicate consists of the Sumitomo Mitsui Banking Corporation, The Tokyo Star Bank, Limited, Sumitomo Mitsui Trust Bank, Limited, San ju San Bank, Ltd., Ogaki Kyoritsu Bank, Ltd., Suruga Bank Ltd., The Senshu Ikeda Bank, Ltd., The Minato Bank, Ltd., Kansai Mirai Bank, Limited and THE NISHI-NIPPON CITY BANK, LTD..
- (Note 3) Borrowing expenses, etc. payable to the lenders are not included. The same applies hereinafter.
- (Note 4) The base interest rate applicable to a calculation period for the interest payable on each interest payment date shall be the JBA Japanese yen TIBOR (Tokyo Interbank Offered Rate), as of two business days prior to the interest payment date (in the case of the first interest calculation period, two business days prior to the borrowing date), which covers the calculation period for such interest payable. However, in cases where the interest rate is not announced, the base interest rate for such interest calculation period shall be calculated based on the method provided for in the loan agreements. Further, each interest rate will be 0% when it is below 0%.
- (Note 5) Please refer to the Japanese Bankers Association (JBA) TIBOR Administration’s website (<https://www.jbatibor.or.jp/english/>) regarding the Japanese yen TIBOR.
- (Note 6) If this date falls on a day that is not a business day, the repayment date shall be the immediately following business day or, if that immediately following business day falls in the next calendar month, the immediately preceding business day.
- (Note 7) Please refer to the press release, “Notice of a Guarantee of Borrowings of Nippon Hotel & Residential Investment Corporation by APA Holdings” issued on May 27, 2024.

c. Acquisition of Assets

The Investment Corporation acquired 8 Trust Beneficiary Rights to Real Estate in Japan with a total acquisition price of 13,108 million yen on December 3, 2024 as described below, using the proceeds from the issuance of new investment units (please refer to “a. Issuance of New Investment Units” above) and borrowings (please refer to “b. Borrowing of Funds” above).

Property type	Property name	Acquisition price (Millions of yen) (Note)	Seller
Facilities for utilizing leisure time	APA HOTEL <ASAKUSABASHI EKIMAE>	4,160	APA Home K.K.
	APA HOTEL <NAMBAMINAMI DAIKOKUCHO EKIMAE>	1,581	APA Home K.K.
Accommodation facilities	INSURANCE BLDG VIII (Toyoshiki)	1,590	APA Soken K.K.
	Urban Flats Shin-Kawasaki	1,259	APA Soken K.K.
	Oshiage Park Square	2,163	APA Soken K.K.
	U residence Kitami	510	A.D.Works Co., Ltd.
	U residence Musashikoganei	595	A.D.Works Co., Ltd.
	T’s eco Kawasaki	1,250	Tosei Corporation
Total (8 properties)		13,108	

(Note) “Acquisition price” indicates the purchase price of each property in the sale and purchase agreement (not including expenses, such as consumption tax, local consumption tax, or sale and purchase fees), rounded down to the nearest million yen.

Assumptions Underlying Forecasts of the Financial Results
for the Fiscal Period Ending May 2025 and November 2025

Item	Assumption																																																																											
Calculation period	- Fiscal period ending May 2025 (18th fiscal period: from December 1, 2024, to May 31, 2025) (182 days) - Fiscal period ending November 2025 (19th fiscal period: from June 1, 2025 to November 30, 2025) (183 days)																																																																											
Managed Assets	- The Investment Corporation has owned 23 properties as of the date of this document. - It is assumed that there will be no change (acquisition or disposition of assets) through to the end of the fiscal period ending November 2025. - The managed assets may change due to acquisition of assets other than the owned properties above, the disposition of assets under management, etc.																																																																											
Operating revenue	< Facilities for utilizing leisure time> Lease operations revenue from the owned assets is calculated based on the lease agreements effective as of the date of this document. It is calculated in light of rent revisions to be made in the future, taking into consideration market trends and other factors. Fiscal Period Ending May 2025 (18th fiscal period) (Millions of yen) <table><tr><th>Property name</th><th>Fixed rent (Note 1)</th><th>Variable rent (Note 2)</th><th>Other Revenue (Note 4)</th><th>Total (Note 7)</th></tr><tr><td>APA HOTEL <ASAKUSABASHI EKIMAE></td><td>94</td><td>0</td><td>-</td><td>95</td></tr><tr><td>APA HOTEL <NAMBAMINAMI DAIKOKUCHO EKIMAE></td><td>43</td><td>0</td><td>-</td><td>44</td></tr><tr><td>Ooedo-Onsen Monogatari Reoma Resort</td><td>314</td><td>6</td><td>31 (Note 5)</td><td>352</td></tr><tr><td>Ooedo-Onsen Monogatari Premium Ise-shima</td><td>108</td><td>8</td><td>3</td><td>120</td></tr><tr><td>Ito Hotel New Okabe</td><td>73</td><td>7</td><td>8</td><td>89</td></tr><tr><td>Ooedo-Onsen Monogatari Premium Atami</td><td>93</td><td>7</td><td>3</td><td>105</td></tr><tr><td>Ooedo-Onsen Monogatari Toi Marine Hotel</td><td>54</td><td>-</td><td>1</td><td>56</td></tr><tr><td>Ooedo-Onsen Monogatari Awara</td><td>49</td><td>24</td><td>8</td><td>82</td></tr><tr><td>Ooedo-Onsen Monogatari Ikaho</td><td>36</td><td>-</td><td>3</td><td>40</td></tr><tr><td>Ooedo-Onsen Monogatari Kimitsu-no-mori</td><td>24</td><td>-</td><td>5</td><td>29</td></tr><tr><td>Ooedo-Onsen Monogatari Kounkaku</td><td>42</td><td>-</td><td>4 (Note 6)</td><td>46</td></tr><tr><td>Ooedo-Onsen Monogatari Premium Kinugawa Kanko Hotel</td><td>174</td><td>8</td><td>7 (Note 6)</td><td>189</td></tr><tr><td>Ooedo-Onsen Monogatari Higashiyama Grand Hotel</td><td>51</td><td>6</td><td>10 (Note 5)</td><td>68</td></tr><tr><td>Total (Note 7)</td><td>1,161</td><td>71</td><td>88</td><td>1,320</td></tr></table>	Property name	Fixed rent (Note 1)	Variable rent (Note 2)	Other Revenue (Note 4)	Total (Note 7)	APA HOTEL <ASAKUSABASHI EKIMAE>	94	0	-	95	APA HOTEL <NAMBAMINAMI DAIKOKUCHO EKIMAE>	43	0	-	44	Ooedo-Onsen Monogatari Reoma Resort	314	6	31 (Note 5)	352	Ooedo-Onsen Monogatari Premium Ise-shima	108	8	3	120	Ito Hotel New Okabe	73	7	8	89	Ooedo-Onsen Monogatari Premium Atami	93	7	3	105	Ooedo-Onsen Monogatari Toi Marine Hotel	54	-	1	56	Ooedo-Onsen Monogatari Awara	49	24	8	82	Ooedo-Onsen Monogatari Ikaho	36	-	3	40	Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	29	Ooedo-Onsen Monogatari Kounkaku	42	-	4 (Note 6)	46	Ooedo-Onsen Monogatari Premium Kinugawa Kanko Hotel	174	8	7 (Note 6)	189	Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	6	10 (Note 5)	68	Total (Note 7)	1,161	71	88	1,320
Property name	Fixed rent (Note 1)	Variable rent (Note 2)	Other Revenue (Note 4)	Total (Note 7)																																																																								
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Total (Note 7)	1,161	71	88	1,320																																																																								

Item	Assumption			
	Fiscal Period Ending November 2025 (19th fiscal period)			
	(Millions of yen)			
Property name	Fixed rent (Note 1)	Variable rent (Note 2)	Other Revenue (Note 4)	Total (Note 7)
APA HOTEL <ASAKUSABASHI EKIMAE>	95	0	-	96
APA HOTEL <NAMBAMINAMI DAIKOKUCHO EKIMAE>	43	0	-	44
Ooedo-Onsen Monogatari Reoma Resort	314	6	31 (Note 5)	352
Ooedo-Onsen Monogatari Premium Ise-shima	108	9	3	121
Ito Hotel New Okabe	73	9	8	91
Ooedo-Onsen Monogatari Premium Atami	93	9	3	106
Ooedo-Onsen Monogatari Toi Marine Hotel	54	6	1	63
Ooedo-Onsen Monogatari Awara	49	24	8	82
Ooedo-Onsen Monogatari Ikaho	36	4	3	45
Ooedo-Onsen Monogatari Kimitsu-no-mori	24	-	5	29
Ooedo-Onsen Monogatari Kounkaku	42	-	4 (Note 6)	46
Ooedo-Onsen Monogatari Premium Kinugawa Kanko Hotel	174	10	7 (Note 6)	192
Ooedo-Onsen Monogatari Higashiyama Grand Hotel	51	7	10 (Note 5)	69
Total (Note 7)	1,162	89	88	1,340
(Note 1) “Fixed rent” refers to the monthly amount provided for in each facility’s lease agreement. The same applies hereinafter. (Note 2) “Variable rent” regarding Ooedo Onsen Monogatari facilities (meaning facilities whose lessee is either Ooedo Onsen Monogatari Hotels & Resorts Co., Ltd. or Reoma Unity Co., Ltd. The same shall apply hereinafter.) refers to the amount obtained by multiplying each facility’s modified GOP (Note 3) for the most recent 1-year period (for the 6 months starting from December of each year, this means the 1-year period from March of that year to February of the following year; for the 6 months starting from June of each year, this means the 1-year period from September of the previous year to August of that year) (these 1-year periods shall be referred to hereunder as “modified GOP Calculation Periods”) regarding each facility by the specific rate provided for in each lease agreement (yearly amount; the monthly amount is 1/12th thereof). “Variable rent” regarding APA Hotels refers to the amount of the portion where sales of 1-year period regarding each facility exceeded yearly benchmark sales provided for in each lease agreement with tenants multiplied by a flat rate provided for in each lease agreement with tenants. The same applies hereinafter. (Note 3) “GOP” provided for in each lease agreement regarding Ooedo Onsen Monogatari facilities refers to gross operating profit, which is the amount remaining after deducting expenses arising directly from managing each facility, such as labor expenses and general and administrative expenses, from each facility’s sales. “Modified GOP” refers to the amount remaining after deducting real estate-related expenses for the property to be borne by the tenant (including, but not limited to, taxes and dues, non-life insurance premiums and land and house rent, but excluding the amount equivalent to secondary rent (defined below in Note 4) provided for in each lease agreement regarding Ooedo Onsen Monogatari facilities) from each facility’s GOP regarding the calculation period for modified GOP. The same applies hereinafter. (Note 4) “Other revenue” shall include rents that have previously been indicated separately as “secondary rent” provided for in each lease agreement regarding Ooedo Onsen Monogatari facilities. “Secondary rent” refers to an amount equivalent to the total amount of taxes, public charges, nonlife insurance premiums, and other expenses (real estate management expenses) to be borne				

Item	Assumption																																	
	by the Investment Corporation for each facility owned by the Investment Corporation. The same applies hereinafter. (Note 5) The amount is land rent based on the fixed-term land lease agreement. (Note 6) Utility pole usage fees. (Note 7) Rents of properties are rounded down to the nearest million yen. Therefore, the total of each property's rent, the total of fixed rents, the total of variable rents and the total of secondary rents may not add up to the figure indicated in the Total column. <Accommodation facilities> The following operating revenues are projected. (Millions of yen) <table><tr><th>Property name</th><th>Fiscal Period Ending May 2025 (18th fiscal period)</th><th>Fiscal Period Ending November 2025 (19th fiscal period)</th></tr><tr><td>L-Place Miyazakidai</td><td>26</td><td>26</td></tr><tr><td>JMR Residence Shin-Osaka</td><td>39</td><td>39</td></tr><tr><td>K. Ryokuchi</td><td>27</td><td>28</td></tr><tr><td>Fiel Hakusankoen Niigata Hakusankoen building</td><td>57</td><td>57</td></tr><tr><td>INSURANCE BLDG VIII (Toyoshiki)</td><td>51</td><td>52</td></tr><tr><td>Urban Flats Shin-Kawasaki</td><td>32</td><td>32</td></tr><tr><td>Oshiage Park Square</td><td>58</td><td>59</td></tr><tr><td>U residence Kitami</td><td>15</td><td>15</td></tr><tr><td>U residence Musashikoganei</td><td>17</td><td>18</td></tr><tr><td>T's eco Kawasaki</td><td>36</td><td>37</td></tr></table> (Note) The actual amount may vary from the projected amount.	Property name	Fiscal Period Ending May 2025 (18th fiscal period)	Fiscal Period Ending November 2025 (19th fiscal period)	L-Place Miyazakidai	26	26	JMR Residence Shin-Osaka	39	39	K. Ryokuchi	27	28	Fiel Hakusankoen Niigata Hakusankoen building	57	57	INSURANCE BLDG VIII (Toyoshiki)	51	52	Urban Flats Shin-Kawasaki	32	32	Oshiage Park Square	58	59	U residence Kitami	15	15	U residence Musashikoganei	17	18	T's eco Kawasaki	36	37
Property name	Fiscal Period Ending May 2025 (18th fiscal period)	Fiscal Period Ending November 2025 (19th fiscal period)																																
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Oshiage Park Square	58	59																																
U residence Kitami	15	15																																
U residence Musashikoganei	17	18																																
T's eco Kawasaki	36	37																																
Operating expenses	- Of the expenses related to leasing activities, which are a major component of operating expenses, the expenses related to leasing activities other than the depreciation are calculated based on past actual figures and by reflecting factors that cause expenses to fluctuate. - Taxes and public charges is assumed to be 94 million yen for the fiscal period ending May 2025 and 106 million yen for the fiscal period ending November 2025. Furthermore, other taxes included in the acquisition cost of the Newly Acquired Assets is expected to be 3 million yen (an amount equivalent to taxes for 29 days). - Building repair expenses are not expected to arise, as these expenses will, in principle, be borne by the tenant based on the lease agreement effective as of the date of this document. - Depreciation, which is calculated using the straight-line method inclusive of incidental expenses and additional capital expenditure in the future, is assumed to be 465 million yen for the fiscal period ending May 2025 and 465 million yen for the fiscal period ending November 2025.																																	
Non-operating expenses	- The total amount of interest expenses and other borrowing-related expenses is expected to be 219 million yen for the fiscal period ending May 2025 and 221 million yen for the fiscal period ending November 2025. - As one-time expenses in the fiscal period ending May 2025, it is planned that expenses for the issuance of new investment units will be 12 million yen and these expenses will be fully amortized in the fiscal period ending May 2025.																																	

Borrowings	• The balance of loans outstanding as of November 30, 2024 is 12,589 million yen. • On December 3, 2024, the Investment Corporation undertook long-term borrowings of 8,748 million yen and short-term borrowings of 100 million yen. For details about new borrowings, please refer to “Notice Concerning Borrowing of Funds (Determination of Borrowing Amount, etc.)” announced as of November 29, 2024. • In the fiscal period ending May 2025, short-term loans 195 million yen will be due for repayment on February 28, 2025, also short-term loans 728 million yen will be due for repayment on May 30, 2025. And it is assumed that around the same amounts will be refinanced. • In the fiscal period ending May 2025, it is assumed that the scheduled repayment (January 31: 73 million yen, April 30: 73 million yen) will be made separately. • In the fiscal period November 2025, it is assumed that the scheduled repayment (July 31: 73 million yen, October 31: 73 million yen) will be made separately.
Outstanding Investment Units	• The assumed number of investment units issued and outstanding as of the date of this document is 311,023, and it is assumed that the number of investment units will not change due to any additional issuance of new investment units or another reason before November 30, 2025. • Distribution per unit is calculated based on the expected number of investment units issued and outstanding as of the end of the fiscal period ending November 2025 (311,023 units).
Distribution per unit (Excluding excess cash distribution)	• Distribution per unit (excluding excess cash distribution) is calculated based on the policy for cash distributions provided for in the Investment Corporation’s articles of incorporation. • Distribution per unit (excluding excess cash distribution) may change due to various factors, including changes of portfolio, changes in rent revenue due to a relocation of tenant, etc., the occurrence of unexpected capital expenditures, and other reasons.
Excess cash distribution per unit	• Recording of allowance for temporary difference adjustments of 3 million yen is expected concerning the difference in accounts for tax and accounting purposes associated with recording of asset retirement obligation, etc. • Regarding conducting excess cash distribution, the Investment Corporation will have a basic policy of conducting excess cash distribution of which amount will be equivalent to the increased amount of allowance for temporary difference adjustments. Pursuant to the policy, it is assumed that 10 yen of excess distribution per unit will be conducted in the fiscal period ending May 2025 and 10 yen in the fiscal period ending November 2025.
Other	• It is assumed that revisions that affect the above forecast figures will not be made to laws or ordinances, tax systems, accounting standards, listing regulations, or rules or the like set by The Investment Trusts Association, Japan. • It is assumed that unforeseen material changes in general economic trends, in real estate market conditions, or in any other factors will not occur.

2. Financial Statements

2.1. Balance Sheets

(Thousands of yen)

	As of May 31, 2024	As of November 30, 2024
Assets		
Current assets		
Cash and deposits	1,783,405	2,073,841
Cash and deposits in trust	140,780	142,742
Prepaid expenses	136,776	156,220
Operating accounts receivable	6,585	548
Other	3,042	3,190
Total current assets	2,070,591	2,376,543
Non-current assets		
Property, plant and equipment		
Buildings	24,277,603	24,463,600
Accumulated depreciation	(5,687,775)	(6,103,006)
Buildings, net	18,589,827	18,360,594
Structures	35,989	35,989
Accumulated depreciation	(7,424)	(8,589)
Structures, net	28,564	27,399
Machinery and equipment	600	600
Accumulated depreciation	(221)	(238)
Machinery and equipment, net	378	361
Tools, furniture and fixtures	24,746	25,066
Accumulated depreciation	(9,461)	(11,027)
Tools, furniture and fixtures, net	15,284	14,038
Land	9,097,457	9,097,457
Buildings in trust	1,050,835	1,052,462
Accumulated depreciation	(18,230)	(30,260)
Buildings in trust, net	1,032,605	1,022,202
Structures in trust	-	351
Accumulated depreciation	-	(2)
Structures in trust, net	-	348
Tools, furniture and fixtures in trust	545	1,154
Accumulated depreciation	(17)	(85)
Tools, furniture and fixtures in trust, net	527	1,068
Land in trust	4,007,528	4,007,528
Total property, plant and equipment	32,772,175	32,530,999
Intangible assets		
Leasehold interests in land	319,805	318,069
Software	1,109	978
Total intangible assets	320,914	319,047
Investments and other assets		
Deferred tax assets	18	17
Long-term prepaid expenses	167,432	107,392
Leasehold and guarantee deposits	10,089	10,089
Total investments and other assets	177,540	117,500
Total non-current assets	33,270,630	32,967,547
Total assets	35,341,222	35,344,091

(Thousands of yen)

	As of May 31, 2024	As of November 30, 2024
Liabilities		
Current liabilities		
Operating accounts payable	96,509	194,878
Short-term borrowings	945,000	934,475
Current portion of long-term borrowings	272,401	272,401
Accounts payable - other	81,590	75,584
Accrued expenses	336	791
Income taxes payable	993	949
Accrued consumption taxes	46,083	33,418
Advances received	219,126	229,953
Other	3,297	3,352
Total current liabilities	1,665,338	1,745,804
Non-current liabilities		
Long-term loans payable	11,519,036	11,382,835
Leasehold and guarantee deposits received	1,040,803	1,040,802
Lease and guarantee deposits in trust	46,048	45,865
Asset retirement obligations	79,293	79,480
Total non-current liabilities	12,685,182	12,548,984
Total liabilities	14,350,520	14,294,789
Net assets		
Unitholders' equity		
Unitholders' capital	20,653,023	20,653,023
Deduction from unitholders' capital		
Allowance for temporary difference adjustments	(30,060)	(33,119)
Total deduction from unitholders' capital	(30,060)	(33,119)
Unitholders' capital, net	20,622,962	20,619,903
Surplus		
Unappropriated retained earnings (undisposed loss)	367,739	429,398
Total surplus	367,739	429,398
Total unitholders' equity	20,990,702	21,049,301
Total net assets	20,990,702	21,049,301
Total liabilities and net assets	35,341,222	35,344,091

2.2. Statements of Income

	(Thousands of yen)	
	16th Fiscal Period from December 1, 2023 to May 31, 2024	17th Fiscal Period from June 1, 2024 to November 30, 2024
Operating revenue		
Leasing business revenue	1,301,403	1,287,843
Total operating revenue	1,301,403	1,287,843
Operating expenses		
Expenses related to leasing business	563,695	567,806
Asset management fee	113,050	113,568
Asset custody fee	1,588	1,584
Administrative service fees	13,810	12,957
Remuneration for directors (and other officers)	3,600	3,600
Other operating expenses	37,473	27,607
Total operating expenses	733,218	727,125
Operating profit	568,184	560,718
Non-operating income		
Interest income	9	199
Interest on tax refund	120	-
Reversal of distributions payable	801	461
Other non-operating income	-	1,376
Total non-operating income	931	2,037
Non-operating expenses		
Interest expenses	57,474	67,066
Borrowing related expenses	139,009	65,436
Collateral release expenses	4,008	-
Total non-operating expenses	200,491	132,503
Ordinary profit	368,624	430,252
Extraordinary income		
Subsidy income	16,400	-
Total extraordinary income	16,400	-
Extraordinary losses		
Loss on reduction entry of non-current assets	16,400	-
Total extraordinary losses	16,400	-
Profit before income taxes	368,624	430,252
Income taxes - current	994	980
Income taxes - deferred	(3)	0
Total income taxes	990	980
Profit	367,633	429,271
Retained earnings brought forward	105	127
Unappropriated retained earnings (undisposed loss)	367,739	429,398

2.3. Statements of Unitholders' Equity

16th Fiscal Period (from December 1, 2023 to May 31, 2024)

(Thousands of yen)

	Unitholders' equity							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital					
Balance at beginning of current period	20,653,023	(27,000)	(27,000)	20,626,022	341,594	341,594	20,967,616	20,967,616
Changes of items during period								
Dividends of surplus					(341,488)	(341,488)	(341,488)	(341,488)
Excess cash distribution from allowance for temporary difference adjustments		(3,059)	(3,059)	(3,059)			(3,059)	(3,059)
Profit					367,633	367,633	367,633	367,633
Total changes of items during period	-	(3,059)	(3,059)	(3,059)	26,144	26,144	23,085	23,085
Balance at end of current period	20,653,023	(30,060)	(30,060)	20,622,962	367,739	367,739	20,990,702	20,990,702

17th Fiscal Period (from June 1, 2024 to November 30, 2024)

(Thousands of yen)

	Unitholders' equity							Total net assets
	Unitholders' capital				Surplus		Total unitholders' equity	
	Unitholders' capital	Deduction from unitholders' capital		Unitholders' capital	Unappropriated retained earnings (undisposed loss)	Total surplus		
		Allowance for temporary difference adjustments	Total deduction from unitholders' capital					
Balance at beginning of current period	20,653,023	(30,060)	(30,060)	20,622,962	367,739	367,739	20,990,702	20,990,702
Changes of items during period								
Dividends of surplus					(367,612)	(367,612)	(367,612)	(367,612)
Excess cash distribution from allowance for temporary difference adjustments		(3,059)	(3,059)	(3,059)			(3,059)	(3,059)
Profit					429,271	429,271	429,271	429,271
Total changes of items during period	-	(3,059)	(3,059)	(3,059)	61,659	61,659	58,599	58,599
Balance at end of current period	20,653,023	(33,119)	(33,119)	20,619,903	429,398	429,398	21,049,301	21,049,301

2.4. Statements of Cash Distributions

(Yen)

Item	16th Fiscal Period from December 1, 2023 to May 31, 2024	17th Fiscal Period from June 1, 2024 to November 30, 2024
I. Unappropriated retained earnings	367,739,163	429,398,426
II. Addition of excess distribution	3,059,511	3,059,511
Of which, allowance for temporary difference adjustments	3,059,511	3,059,511
III. Distribution amount	370,671,525	432,332,439
[Distribution amount per unit]	(1,575)	(1,837)
Of which, distribution amount from earnings	367,612,014	429,272,928
[Of which, excess cash distribution per unit]	(1,562)	(1,824)
Of which, Allowance for temporary difference adjustments	3,059,511	3,059,511
[Of which, excess cash distribution per unit (pertaining to allowance for temporary difference adjustments)]	(13)	(13)
IV. Retained earnings carried forward	127,149	125,498
Method of calculating distribution amount	As described above, distribution per unit for the fiscal period under review is 1,575 yen. Concerning cash distribution (excluding excess cash distribution), in order to ensure that the maximum amount of cash distribution of earnings would be included in deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15, Paragraph 1 of the Special Measures Concerning Taxation Act), the Investment Corporation decided to distribute almost the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations, excluding the portion where cash distribution per investment unit would be less than JPY1. As a result, the Investment Corporation declared a cash distribution per investment unit (excluding excess cash distribution) of 1,562 yen. In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in Article 25 of its articles of incorporation, the Investment Corporation decided to make a distribution for the 3,059,511 yen in allowance for temporary difference adjustments for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustments of 13 yen per investment unit.	As described above, distribution per unit for the fiscal period under review is 1,837 yen. Concerning cash distribution (excluding excess cash distribution), in order to ensure that the maximum amount of cash distribution of earnings would be included in deductible expenses based on application of special provisions for taxation on investment corporations (Article 67-15, Paragraph 1 of the Special Measures Concerning Taxation Act), the Investment Corporation decided to distribute almost the entire amount of the earnings provided in Article 136, Paragraph 1 of the Act on Investment Trusts and Investment Corporations, excluding the portion where cash distribution per investment unit would be less than JPY1. As a result, the Investment Corporation declared a cash distribution per investment unit (excluding excess cash distribution) of 1,824 yen. In addition, pursuant to the policy for “distribution of money in excess of profits” as stated in Article 25 of its articles of incorporation, the Investment Corporation decided to make a distribution for the 3,059,511 yen in allowance for temporary difference adjustments for the purpose of reflecting the effect on distributions of the difference in accounts for tax and accounting purposes in association with expenses related to asset retirement obligations and leasehold depreciation (as defined in Article 2, Paragraph 2, item 30 (b) of the Investment Corporations Accountings Ordinance). This resulted in distribution of allowance for temporary difference adjustments of 13 yen per investment unit.

2.5. Statements of Cash Flows

(Thousands of yen)

	16th Fiscal Period from December 1, 2023 to May 31, 2024	17th Fiscal Period from June 1, 2024 to November 30, 2024
Cash flows from operating activities		
Profit before income taxes	368,624	430,252
Depreciation	429,146	432,043
Borrowing related expenses	139,009	65,436
Interest income	(9)	(199)
Interest expenses	57,474	67,066
Subsidy income	(16,400)	-
Loss on tax purpose reduction entry of non-current assets	16,400	-
Loss on retirement of non-current assets	4,041	498
Decrease (increase) in operating accounts receivable	4,525	6,036
Increase (decrease) in operating accounts payable	(38,665)	30,529
Decrease (increase) in consumption tax refundable	42,073	-
Increase (decrease) in accrued consumption taxes	46,083	(12,665)
Decrease (increase) in prepaid expenses	(44,289)	(25,965)
Decrease (increase) in long-term prepaid expenses	104	1,125
Increase (decrease) in accounts payable - other	6,467	(6,005)
Increase (decrease) in advances received	(4,496)	10,826
Other, net	(4,117)	(53)
Subtotal	1,005,971	998,926
Interest received	9	199
Interest paid	(57,428)	(66,612)
Income taxes paid	(915)	(1,023)
Net cash provided by (used in) operating activities	947,636	931,490
Cash flows from investing activities		
Purchase of property, plant and equipment	(118,056)	(111,994)
Purchase of property, plant and equipment in trust	(1,291)	(9,666)
Refund of leasehold and guarantee deposits received	-	(0)
Proceeds from lease and guarantee deposits in trust	459	-
Payments for restricted deposits held	-	(183)
Proceeds for restricted deposits held in trust	-	183
Payments for restricted deposits held in trust	(459)	-
Subsidies received	16,400	-
Net cash provided by (used in) investing activities	(102,947)	(121,660)
Cash flows from financing activities		
Proceeds from short-term borrowings	1,677,379	-
Proceeds from long-term borrowings	8,341,070	-
Repayments of short-term borrowings	(739,829)	(10,524)
Repayments of long-term borrowings	(9,522,048)	(136,200)
Distributions paid	(345,103)	(370,524)
Net cash provided by (used in) financing activities	(588,530)	(517,249)
Net increase (decrease) in cash and cash equivalents	256,158	292,580
Cash and cash equivalents at beginning of period	488,642	744,800
Cash and cash equivalents at end of period	744,800	1,037,381